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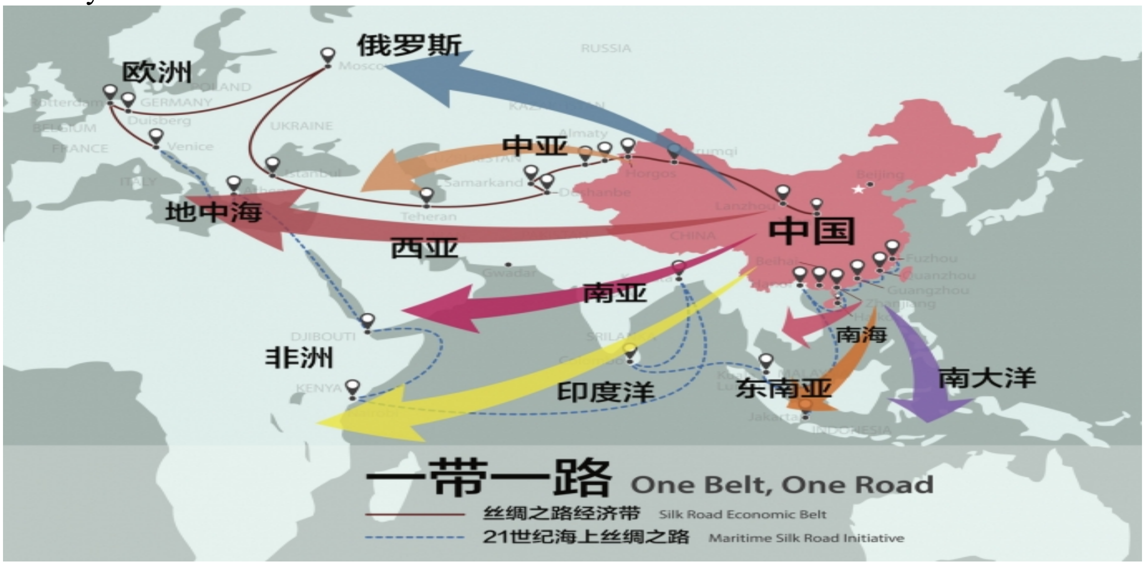

Despite concerns over debt and geopolitics, Asian countries should embrace a Sino-centric economic future

In a speech at the 52nd Munich Security Conference in 2016, Chinese Vice Foreign Minister Fu Ying opened by saying:

> *"China has been asked frequently: are you challenging the US as leader of the world order? Or, are you making a parallel order? The answer is: of course not, we are part of the international order."*

Fu, however, goes on to make another important distinction:

> *"China has proposed mechanisms where the existing international order falls short. The Silk Road "Belt and Road" initiative (BRI) and the AIIB (Asian Infrastructure Investment Bank) are new public goods that China is offering. These mechanisms are non-exclusive and guided by the UN principles."*

Two years on, China has since made clear that it cannot support what Fu said in the speech as "the U.S.-led 'world order' in its entirety [and that] China has deep concern over the long-held rejection and pressure by the US and other Western countries on China's political system".

"China is trying to project its growing power around this region and around the world and it's doing that for various reasons," explains **James Crabtree**, Associate Fellow of the Asia-Pacific Programme at Chatham House. "It wants to export bits of its economy that it's not using, it wants to secure its natural resources and it wants to have a much greater say in different parts of the world, particularly in South East Asia where the United States have for a long time been the dominant power."

Making those remarks at a panel discussion, "Belt, Road Initiative: Will ASEAN remain in the driving seat?" for Singapore-based station Channel NewsAsia's Perspectives programme, Crabtree made clear that he believed none of Beijing's motives are nefarious even though the BRI is an unmistakeable "projection of Chinese power" in a geopolitical game. While increased

Chinese presence is a source of concern in some quarters, Singapore Management University President **Arnoud De Meyer** believes it is not all bad.

“China, after having [its] influence in the international institutions [reduced]… are basically building up their own international institutions,” De Meyer elaborates. “I think that’s a good idea because probably some of our international institutions like the IMF or the World Bank were a bit stuffy and a bit too much dominated by the traditional powers and there’s a need for building up new international institutions.”

While geopolitical in nature, the billions of dollars involved in infrastructure projects the BRI brings carry the promise of economic growth. De Meyer, however, warned against expecting the BRI to be an effortless ride for Southeast Asia and ASEAN to prosperity.

“We’ll have to work very hard to be part of the BRI or the BRI will pass us by,” De Meyer emphasised. “If you look at markets, South Asia is much more important than South East Asia. If you look at security agreements, Russia is much more important than South East Asia. If you look at political agreements, again, Kazakhstan, Central Asia is probably more important to China.

“We should not overestimate the importance of South East Asia and I say that not with pleasure. I say that simply because I think we will have to work hard to be part of the BRI momentum.”

“Over the last couple of years that BRI has been on the table,” Crabtree adds, “ASEAN has become more divided not less, as some of its members are more enthusiastic about Chinese investment than others. ASEAN itself and the countries in ASEAN [will say] nobody wants to choose between America and China but to some degree, you have to.

“That means there are divisions that China’s greater role in the region is creating. So the idea that ASEAN is going to unite with one voice and negotiate with China amongst itself, I just don’t think it’s realistic.”

WHO’S BUILDING? WHOSE BUILDING?

In places where BRI projects have taken place, the picture has not been all rosy. Sri Lanka’s Hambantota Port and Myanmar’s Myitsone Dam are two glaring examples of what can go wrong with regard to debt and ownership issues. **Richard Fenning**, CEO at Control Risks, observes that “you can’t build something in somebody else’s back garden and expect to remain friends indefinitely”.

“We have to look at this over the proposed multi-decade sort of scope of what BRI is all about and it will go through multiple iterations,” Fenning adds. “There are other alternatives around such as Japan and Korea and the World Bank but nobody on the scale that China is able to deliver. So if the first round has been in some cases, somewhat satisfactory, I don’t think we should see that as a blueprint of failure forever.”

Crabtree points out that concerns about BRI projects, successful or otherwise, go beyond financial concerns.

“The real problem though is not so much in the things that get built on land but it’s the things that get built on the sea,” Crabtree elaborates, pointing to over a dozen port projects stretching from Pakistan (Gwadar) to Cambodia (Koh Kong), with the Hambantota port in between. “It’s the things that can be converted to military use. That was the issue in Sri Lanka [with Hambantota].

"It wasn't so much that other countries like India and America were worried about the port in Southern Sri Lanka simply going bust. They were worried that when the Chinese came in and took most of it over, that it would get converted into a military port. But…debt is a big problem and it is something that countries have to go into with their eyes open."

MONEY TALKS

Despite such concerns, South East Asia's need for infrastructure investment are undeniable. The Asian Development Bank estimates that developing parts of Asia-Pacific requires annual investments of US$1.7 trillion to maintain current growth momentum – almost twice the US$881 billion currently deployed.

Just within ASEAN alone, observes **Omar Shahzad**, Group Chief Executive Officer of international consultancy Meinhardt, that figure is US$180 billion. BRI projects not only injects much needed funds but also provide opportunities to provide necessary expertise in terms of "execution capabilities, professional services and also in terms of undertaking some of that construction work by providing materials or doing some of the construction work jointly or as a sub-contractor to Chinese firms".

However, he highlighted the reality that it is the Chinese companies that call the shots.

"The projects are announced at a G to G level between the countries in ASEAN and the Chinese government. Then, these project gets downloaded to the companies. Companies from China would often take the lead and would work with local companies.

"I think over time as these projects evolve and as more projects come through, I do see an opportunity for local firms to take over time a bigger proportion of the work but…in many cases the lead of these projects are these big Chinese companies. There's no question about it."

For Crabtree, it only reflects reality on the ground: there is no escaping China's influence in Asia.

"If you just walk around, even the streets of Singapore or visit any of big nations in the region, [you can see] China's economic presence [and] economic involvement in infrastructure projects; we are right in the thick of it.

"I think there's a danger that we think of Belt and Road as something that is about to happen. We're already deeply immersed in it and it's central to what the global economy is going to look like in the future and that's going to look very Chinese."

James Crabtree, Arnoud De Meyer, Richard Fenning, and Omar Shahzad were part of a discussion panel, "Belt, Road Initiative: Will ASEAN remain in the driving seat?" for the SMU-Channel NewsAsia programme Perspectives that was recorded at the Singapore Management University School of Law.

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